

# WEBINAR



## **Super decisions at retirement:** Income stream, lump sum, accumulation or a mix?

**Friday 11th**  
OCTOBER

**12.30 PM**  
AEST



Welcome

# Presenter

## Kate Crawford

Kate has worked in the superannuation sector since 2003. Her experience ranges from customer service to financial advice, member education, complaints management, trustee services, and learning and development.

She currently develops content and facilitates learning sessions for super professionals with the Association of Superannuation Funds (ASFA) as well as writing for SuperGuide.



# IMPORTANT

## Disclaimer

The information covered within this webinar is intended to be general in nature and is not personal financial (or financial product) advice. It does not take into account your objectives, financial situation or needs. Before acting on any information, you should consider the appropriateness of the information provided having regard to your objectives, financial situation and needs.

In particular, you should seek independent financial advice prior to making any investment decision.

You should consider the appropriateness of this information having regard to your individual situation and seek taxation advice from a registered tax agent before making any decision based on the content of this presentation.

Any examples & calculations within this presentation are provided for illustrative purposes only. They should not be relied on.

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60+ and  
retired

Left a  
job after  
your 60<sup>th</sup>  
birthday

Turned 65



Lump sum



Pension



(Accumulation  
phase)



Lump sum



Pension

60+ and  
retired

DECLARE THAT YOU ARE PERMANENTLY RETIRED FROM EMPLOYMENT.  
YOU DO NOT INTEND TO RETURN TO WORK.  
NO PAID EMPLOYMENT

Left a  
job after  
your 60<sup>th</sup>  
birthday

LEAVING WORK PERMANENTLY OR INTENDING TO RETURN  
CHANGING JOBS.  
IF YOU LEAVE A PAID JOB AFTER YOUR 60TH BIRTHDAY, YOU CAN ACCESS

Turned 65

# Accumulation phase

Investment  
growth remains  
taxable at  
concessional  
super rate



Keep your money  
invested and  
growing – no  
compulsory  
withdrawals



Balance not  
assessed by  
Centrelink until  
age 67



# Lump sum

Tax-free  
(except untaxed  
funds)



Pay off debt  
and/or make  
purchases



Investing outside  
super generates  
taxable income





# Pension

Tax-free income  
and investment  
earnings



Invest up to  
\$1.9 million to  
generate growth  
and fund your  
income



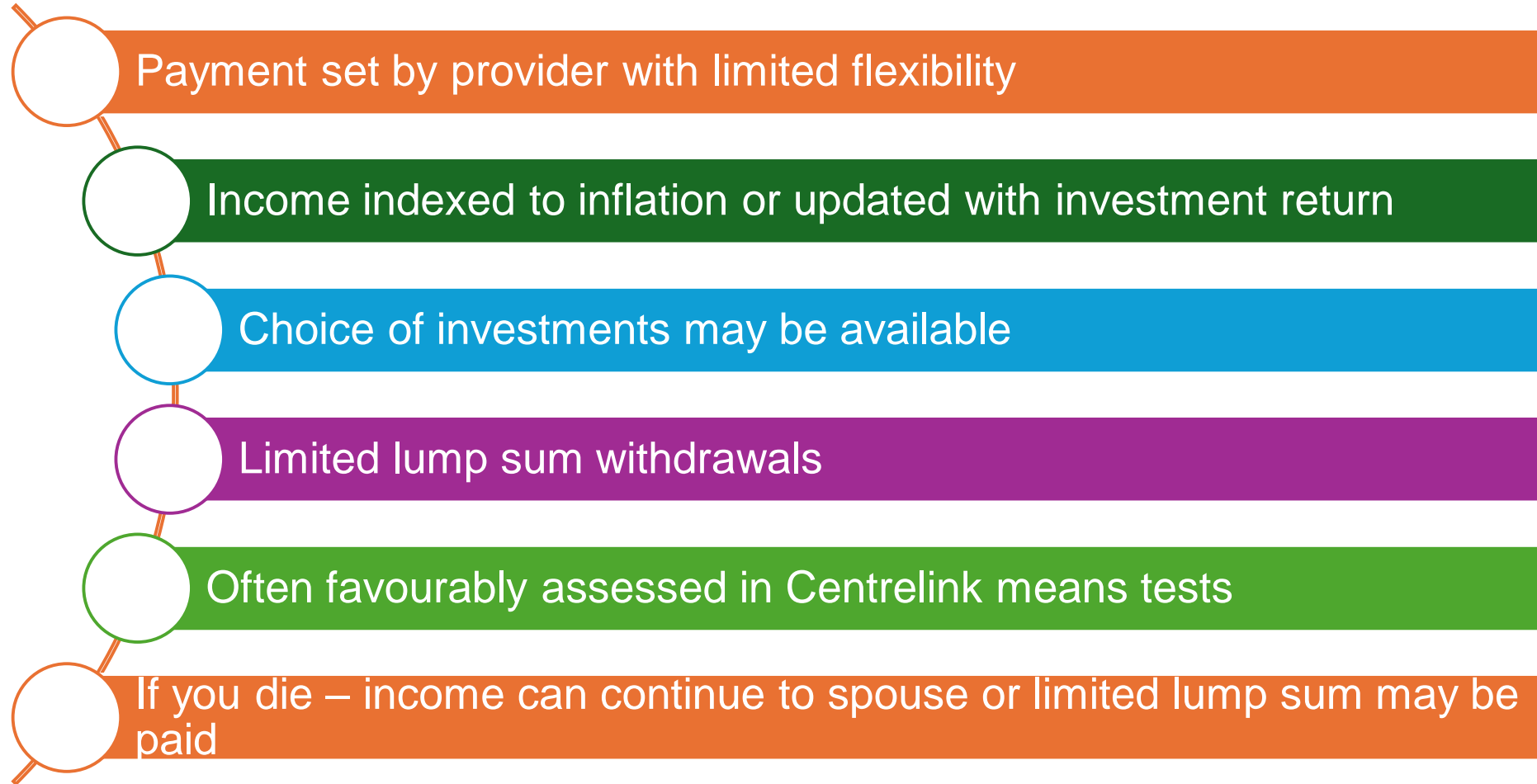
Choose from  
account-based,  
lifetime, or  
fixed-term



# Account based

- Select how your balance is invested – and switch at any time
- Choose your payment (minimum but no maximum)
- Withdraw lump sums
- Balance can run out
- 100% of your balance is a financial asset for Centrelink means tests
- If you die – balance is passed on

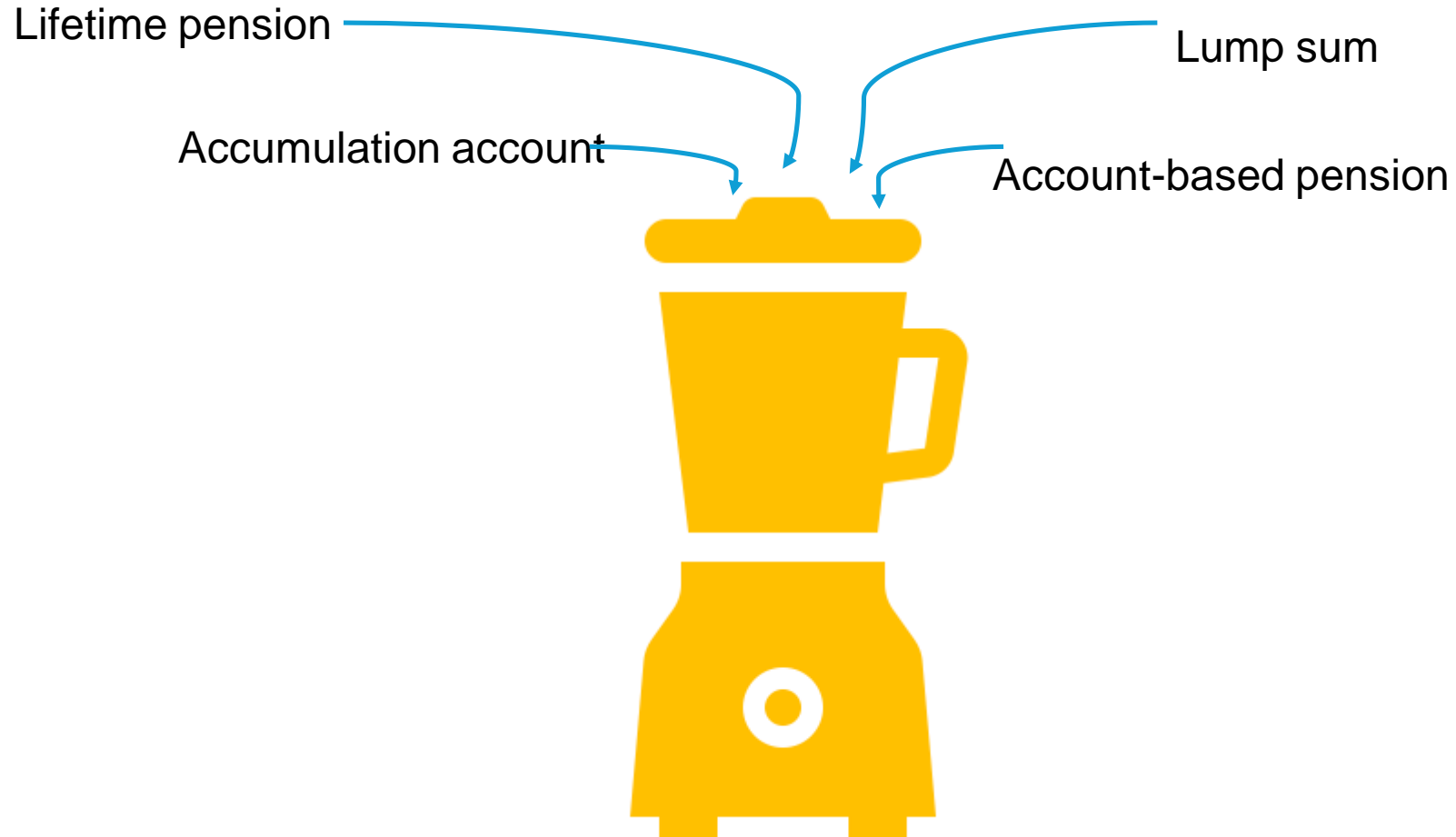
# Lifetime



# Comparison of features

Account-based (non-lifetime)	Lifetime
Choose your annual payment of at least the minimum	Income set by provider. Some flexibility may be offered.
Select how your balance should be invested and switch at any time	Opportunities to choose your investments vary: <ul style="list-style-type: none"><li>- Provider may take on all the investment risk and guarantee to index your payments to inflation</li><li>- A set investment may apply to all recipients</li><li>- A range of investments may be provided to choose from</li></ul>
Withdraw a lump sum at any time	Option to withdraw lump sum is limited
Balance can run out	Income guaranteed for life
100% financial asset in Centrelink means tests	May be eligible for favourable Centrelink means test assessment
Balance available to beneficiaries on death, including as a reversionary pension	Reversionary pension available if selected, or limited lump sum may be payable. Often no lump sum available past life expectancy.

# Choose your combination





# Delve into the detail

# Example – couple with an age gap



Angie  
\$600,000 super  
Age 67



David  
\$600,000 super  
Age 60

Homeowners and mortgage-free with  
no investments outside super



## Goals

- ✓ Maximise Age Pension
- ✓ Confidence savings will last
- ✓ Comfortable income



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# The plan

Use all super to open account-based pensions

- tax-free income
- tax-free earnings

# The question

Will Angie receive Age Pension?





# The alternatives

Re-distribute assets

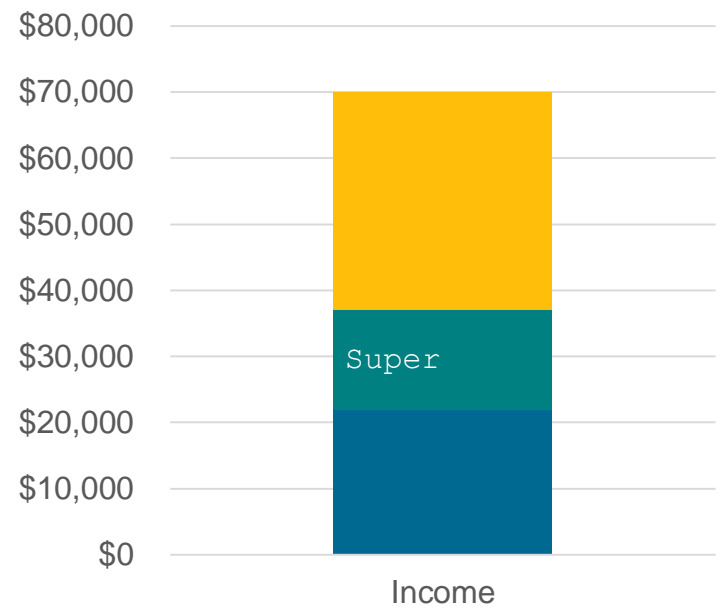
1. Angie starts account-based pension and David keeps accumulation
2. Angie withdraws \$300k and David contributes it to his accumulation account



# Targeting \$70k income



Angie's income  
\$22,000 Age pension  
+ \$15,000 super pension  
= \$37,000 total



Age	Minimum payment
<65	4%
65-74	5%
75-79	6%
80-84	7%
85-89	9%
90-94	11%
95+	14%

# Generating additional income



## The options

- Withdraw lump sums from David's super
- Increase Angie's super pension withdrawals



## The strategy

Withdraw lump sums from David's super

- Retain maximum in Angie's super pension where earnings are tax-free
- Withdrawals come from the environment where earnings are taxable



# Looking forward 7+ years




David  
Age 67  
\$900,000 super

Angie  
Age 74  
\$300,000 super pension balance



David's super now assessed by Centrelink

Combined assets >\$1.2 million   
without action

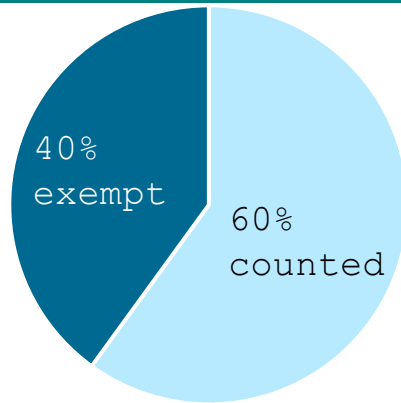
Age Pension

# Centrelink assessment

## Lifetime income streams

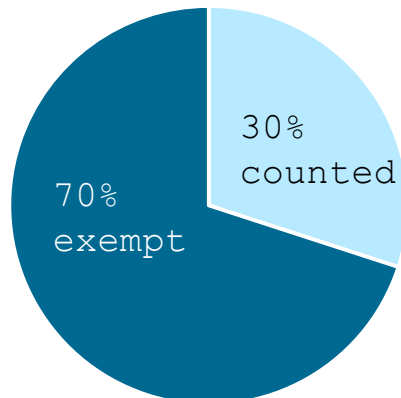
### Assets test

Percentage of purchase price

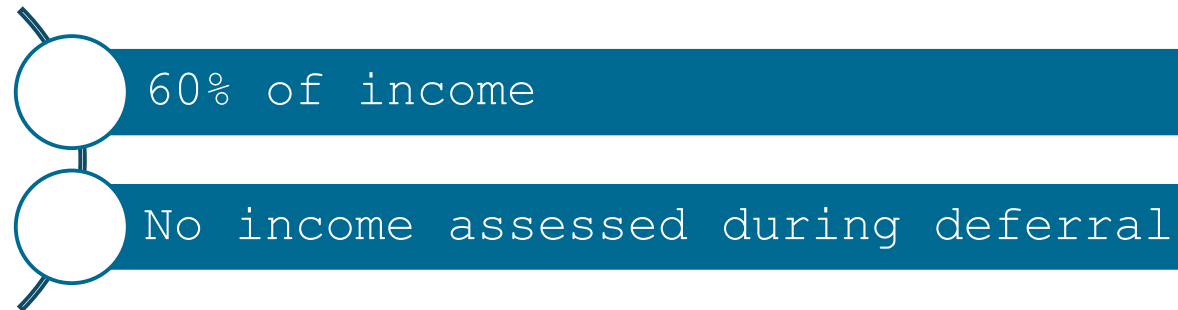


### Until 84 + min 5 years, then

Percentage of purchase price



### Income test



# Centrelink assessment

Account-based (non-lifetime) income streams

Assets test

100% of balance

Income test

Deemed income



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# Example – single \$500k super



Fatima  
\$500,000 super  
Age 67

Homeowner and mortgage-free with  
no investments outside super



## Goals

- ✓ \$52,000 a year retirement income
- ✓ Happy with lower income in later retirement
- ✓ Maximise Age Pension
- ✓ Confidence savings will last

# High balances

Balance > Transfer Balance Cap (TBC) can't be transferred to a retirement income stream

Current TBC = \$1.9M

Indexed to CPI





# High balances

## Options:

- Retain excess in accumulation
- Cash excess as lump sum

Converting entire TBC to income stream may provide more income than required

## Options:

- Invest smaller amount in income stream
- Deferred annuity
- Accept higher withdrawal requirements to maximise tax-free earnings

The screenshot shows the SUPERGUIDE website interface. At the top, there's a search bar and navigation links for 'Dashboard' and 'Log out'. Below the header, there are tabs for 'How super works', 'Super funds', 'SMSFs', 'Retirement planning', and 'In retirement'. The main content area features an article titled 'High net worths: Is it worth starting a pension, or stick to accumulation?' by Aakash Mehta, updated on 9 June 2023. The article lists two options: 'Option 1: Leave super in the accumulation phase' and 'Option 2: Commence an account-based pension'. Below the article, there's a section for 'On this page' with links to the options and a 'Case study'. To the left, there's a sidebar with links to 'Dashboard', 'Newsletters', 'Saved guides', 'Step-by-step guides', and 'Webinars'. At the bottom, there's a section for 'Upcoming webinar' titled 'Buying property in an SMSF' scheduled for Thursday 22 August.

**High net worths: Is it worth starting a pension, or stick to accumulation?**

Aakash Mehta • Updated 9 June 2023

**On this page**

- Option 1: Leave super in the accumulation phase
- Option 2: Commence an account-based pension
- Case study

**Upcoming webinar**

**Buying property in an SMSF**

Thursday 22 August

From the compliance requirements to the strategic opportunities, this webinar will also include an attendee

Resource to read more

# Can I make contributions?

When total super >\$1.9M



Non-concessional cap = \$0



Concessional cap = \$30,000



When aged 67+ personal deductible contributions only permitted if you meet

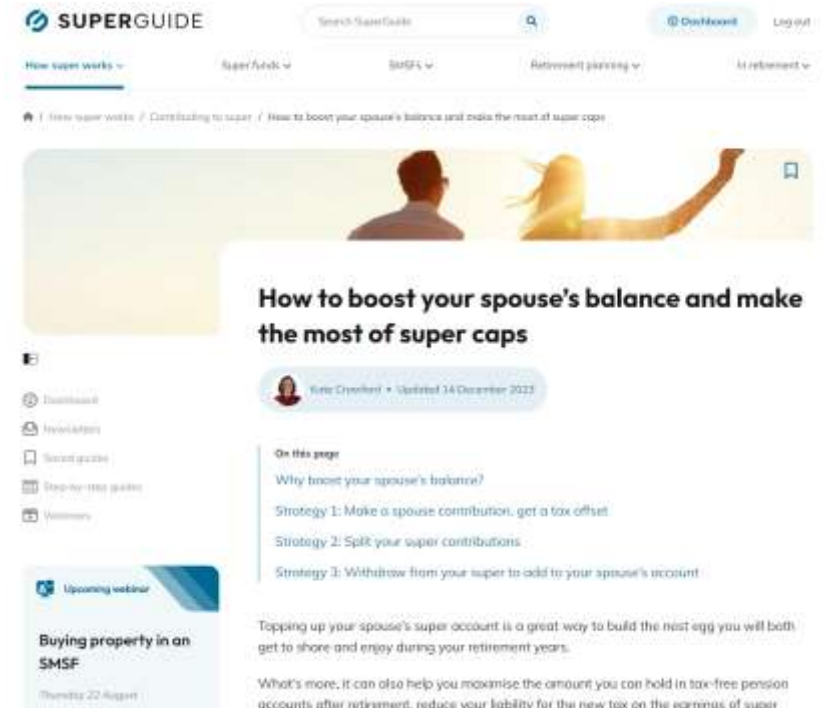
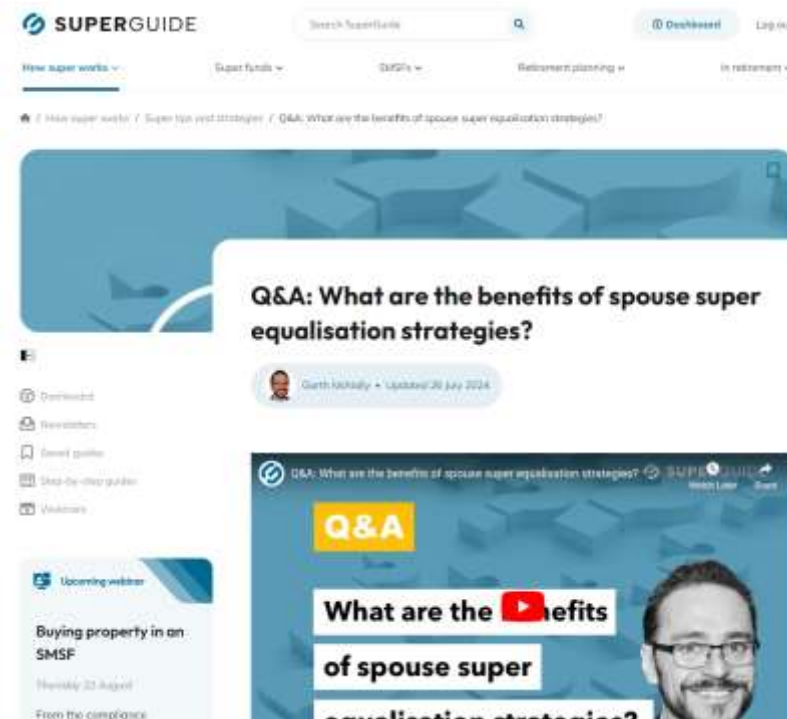


# Spouse with a lower balance?

Consider  
equalising  
balances

Withdraw and  
contribute to  
their account  
(non-

Split  
concessional  
contributions  
from your  
account



Resources

# Innovation

Responding to retirement income covenant to balance:

- need for flexible access
- risk of outliving savings

Dedicated investment strategies

1. Bucket strategy

Bucket one

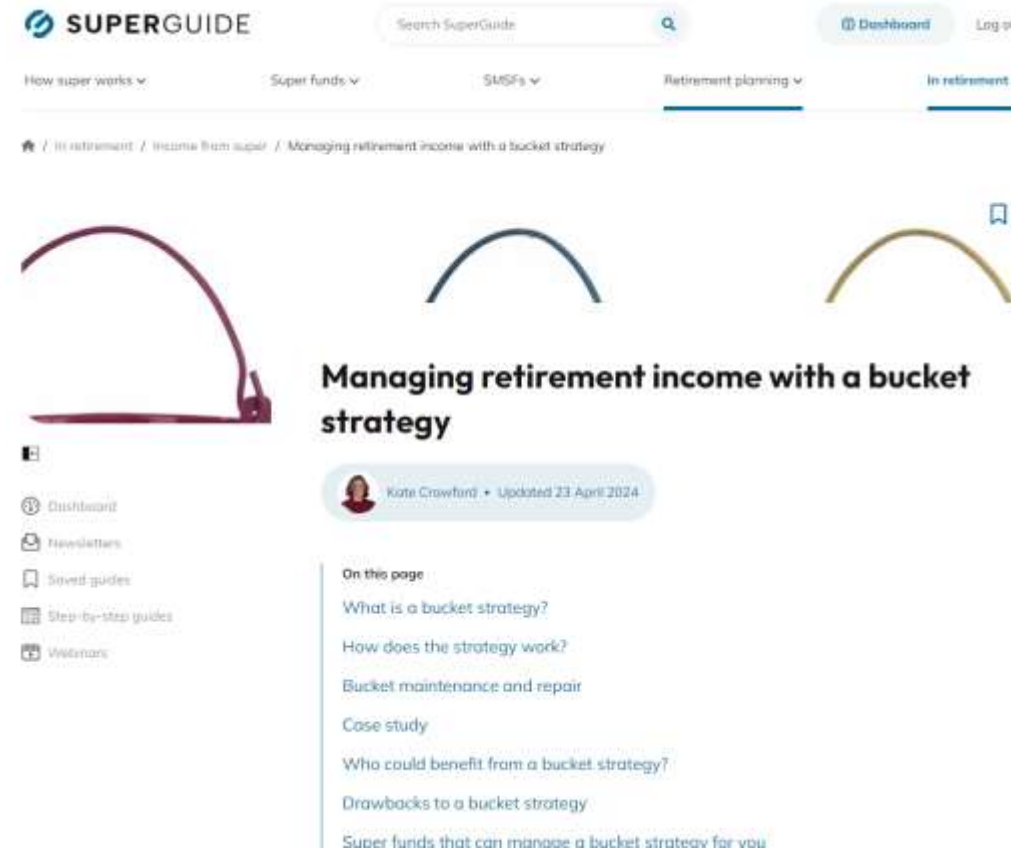
Long term

Bucket two

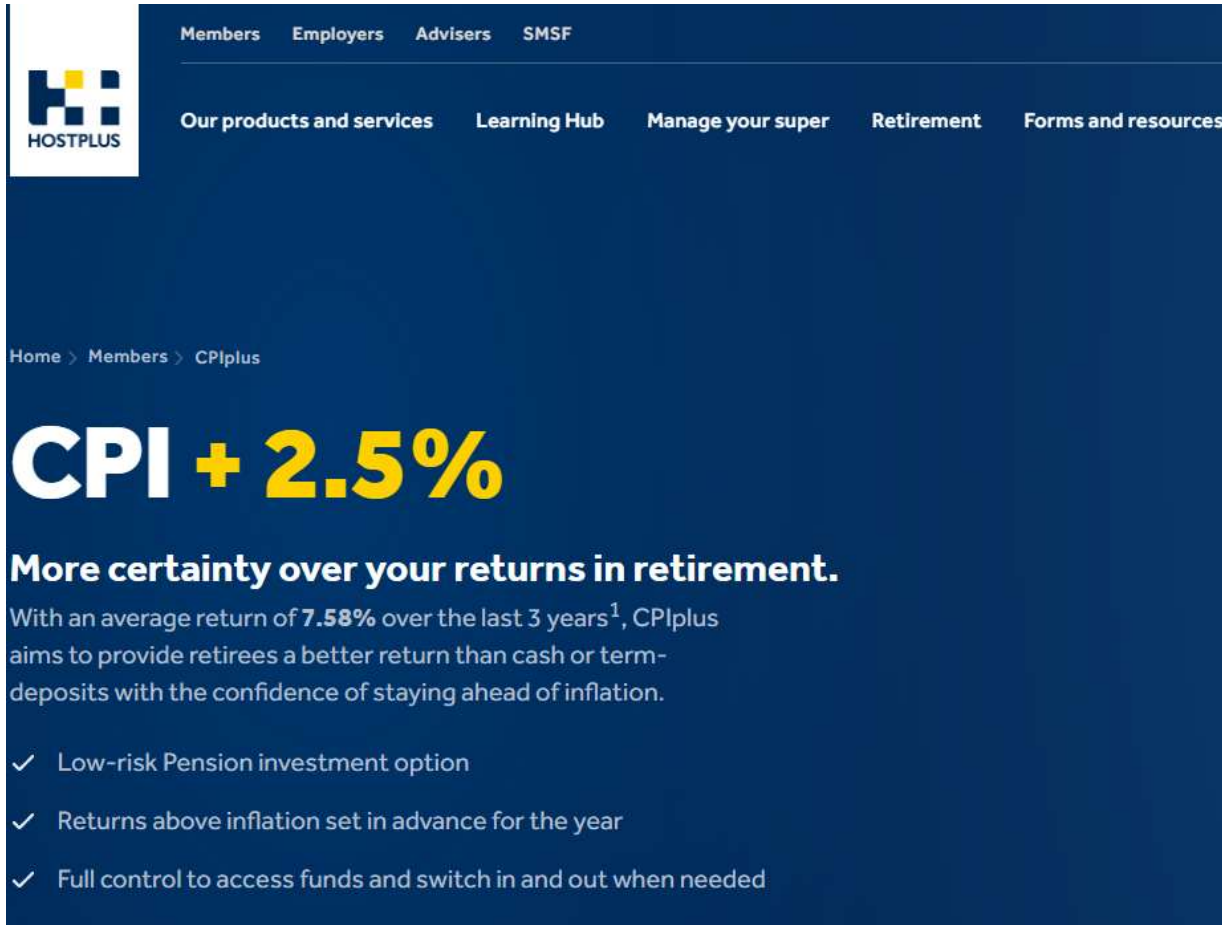
Medium term savings

Bucket three

Short term spending needs



# HostPlus CPI+

A screenshot of the HostPlus CPI+ website. The top navigation bar is dark blue with white text for 'Members', 'Employers', 'Advisers', and 'SMSF'. Below this is a secondary navigation bar with 'Our products and services', 'Learning Hub', 'Manage your super', 'Retirement', and 'Forms and resources'. The main content area has a dark blue background. It starts with a breadcrumb trail 'Home > Members > CPIplus'. The headline 'CPI + 2.5%' is in large white and yellow font. Below it, the sub-headline 'More certainty over your returns in retirement.' is in white. A paragraph explains that with an average return of 7.58% over the last 3 years, CPIplus aims to provide a better return than cash or term-deposits. A list of three bullet points with checkmarks describes the benefits: low-risk pension investment, returns above inflation, and full control over funds.

Members Employers Advisers SMSF

Our products and services Learning Hub Manage your super Retirement Forms and resources

Home > Members > CPIplus

## CPI + 2.5%

**More certainty over your returns in retirement.**

With an average return of **7.58%** over the last 3 years<sup>1</sup>, CPIplus aims to provide retirees a better return than cash or term-deposits with the confidence of staying ahead of inflation.

- ✓ Low-risk Pension investment option
- ✓ Returns above inflation set in advance for the year
- ✓ Full control to access funds and switch in and out when needed

Crediting rate increased from CPI+2% to CPI +2.5% after recording

Backed by HostPlus Balanced

# Innovative lifetime income

stream

Return of capital usually guaranteed

Investment choice often



Personal | Products | Lifetime annuities

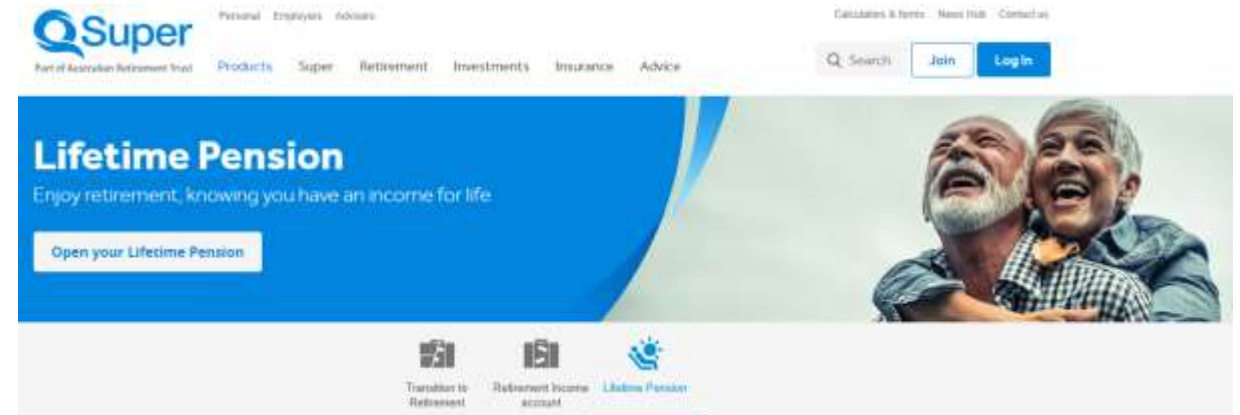
Challenger's Liquid Lifetime (Market-linked payments) can help improve your financial wellbeing by combining the benefits of income for life with the potential for growth.

Challenger's market-linked lifetime annuities provide you (and your spouse if you choose) with monthly income for life that has the potential to increase over time. However, payments are less predictable because they move up or down based on the performance of the chosen market index.

## Order and download TMD and PDS

Our Target Market Determinations (TMD) and Product Disclosure Statements (PDS) contain all the information you need to know about each one of our products.

VIEW →



How do you make your money last in retirement? Our award-winning Lifetime Pension is designed to work with an [account-based pension](#) to allow you to enjoy life without worrying about your savings running out.



## Generation Life Lifeline

Providing peace of mind with an income stream that pays you for life



Lifeline provides more income, more certainty, more flexibility and more choice.

Allianz Retire+  
POWERED BY PING LI

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Home > Certainty

# CERTAINTY



**Delivering retirement income with Certainty**  
Introducing Allianz Guaranteed Income for Life (AGILE)

## MyNorth Lifetime Income account

Provide your clients with a higher income for life.1

Benefits Case study Resources

Request a call

### Introducing the MyNorth Lifetime Income account

One of an award-winning<sup>2</sup> suite of three solutions that financial advisers can use to help clients retire comfortably, confident they'll have a lifetime of retirement income.

A MyNorth Lifetime Income account combines the flexibility of an account-based pension that provides a high-rate market-linked income stream with the certainty of a lifetime cashflow that never runs out, like an annuity.

The Lifetime Income account is a market-first retirement income solution that puts you in control of important portfolio decisions like investment strategy, asset allocation and security selection.



You may need an adviser to invest  
Beware of complexity



Thanks for  
watching



# Question 1

My super balance is below the contribution cap of \$1.9m I want to have an income stream AND be able to withdraw some funds as a lump sum at a later date. I want to understand how I can do both. I have 2 questions:

1. Can I keep my accumulation account open and leave some funds there (for later withdrawal as a lump sum if and when I need it), while I transfer the majority of funds into a pension account? As I am 60 years old, the minimum I MUST withdraw for a pension is 4% of my super for this FY.
2. But is the 4% calculated on my total super balance, (accumulation account + pension account) or just the amount I transfer from my accumulation account into the pension account?

# Question 2

How are annuities and lifetime products valued for purposes of Division 296? In particular for the future as there won't be indexation.

**Abel**

# Question 3

What is the safe withdrawal % per annum for a person with \$1.8m in super and wish the super to last for 30 years of retirement (age 60 - 90) and wish to spend only AFSA style comfortable retirement amount for couple (\$72k per annum)?

**Pand**

# Question 4

I have an SMSF fully in pension phase. I am aged 70 years.

I need to withdraw a minimum of 5%. I would have preferred to take this as a lump sum towards the end of each financial year but my new accountant says I should take it as a regular payment spread out over the financial year.

She said the ATO prefers this.

I had been under the understanding that for the withdrawal you had a choice, either a lump sum or a regular pension payment. Is there a choice in my situation and if so, what are the pros and cons between each option?

**Matthew**

# Question 5



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I'm a member of the Defence Force Reserves. I work a few days a week, which is paid but is purely a tax-free income with no superannuation guarantee contributions connected to this form of income.

I'm interested in whether Reserves work is considered 'gainful employment' for the purposes of accessing super. In my research, Reserves income seems to have a special status, perhaps akin to volunteering, but it's never quite clear.

When I turn 60 I'm planning to transition my super fund from accumulation phase to pension phase, while still wanting to work part time in the Reserves. Do you think this scenario will pose any issues from a "Condition of Release" point of view?

# Question 6

I have three funds and plan to roll to one Income stream and leave a Superannuation fund open with a small amount of money. I may choose to put a smaller amount that the \$1.9M Cap to kick the income stream off and then add to it the the max allowed \$1.9M over time.

Are there any 'Gotcha's' in doing this and what watch outs are there when selecting an Income Stream Account (e.g. I am thinking exit and entry fees?)

**Trevor**

# Question 7

After retiring, is there an age when one has to compulsorily commence the super pension, even if one does not need additional income?

**Jagjeet**



Attendee Questions





# SUPERGUIDE



Wrap up